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BUSINESS CHARACTERISTICS OF SMALL AND MEDIUM-SIZED AUSTRALIAN EXPORTERS

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Introduction

Various studies have found that firms that export have different characteristics to non-exporters. However, most of these studies are from America and Europe and they tend to concentrate on large businesses. This article uses data from the Australian Bureau of Statistics (ABS) Business Longitudinal Database (BLD) to investigate if there are fundamental differences between Australian small and medium-sized firms that export and those that do not.

Summary Statistics from the BLD Study

The study used a sample of 5,747 employing businesses from the 2006-07 BLD to compare exporters and non-exporters. The study looked at the full sample which included businesses classified to 14 different industries and those businesses in the Manufacturing division.

Table 1 shows the number of businesses in the sample according to industry and whether or not they are exporters. At the aggregate level 11.3% of businesses in the sample are exporters, with some industries having a much higher share of exporters including Information Media and Telecommunications (27.5%), Wholesale Trade (26.5%), and Manufacturing (24.4%).

Table 1 - Number and Proportion of 2006 - 07 BLD Units by Export Status

	Non-Exporters		Exporters		Total
	No.	%	No.	%	No.
Industry Division (ANZSIC 2006)					
Agriculture, Forestry and Fisheries	1 179	95.4	57	4.6	1 236
Mining	184	88.9	23	11.1	207
Manufacturing	659	75.6	213	24.4	872
Construction	331	96.2	13	3.8	344
Wholesale Trade	405	73.5	146	26.5	551
Retail Trade	265	89.5	31	10.5	296
Accommodation and Food Services	375	98.4	6	1.6	381
Transport, Postal and Warehousing	377	97.4	10	2.6	387
Information Media and Telecommunications	145	72.5	55	27.5	200
Rental, Hiring and Real Estate Services	174	97.2	5	2.8	179
Professional, Scientific and Technical Services	252	85.7	42	14.3	294
Administrative and Support Services	198	91.7	18	8.3	216
Arts and Recreation Services	221	93.3	16	6.8	237
Other Services	331	95.4	16	4.6	347
Total	5 096	88.7	651	11.3	5 747

Comparing Exporters with Non-Exporters

For all businesses in the sample an average, or mean, was taken for sales, sales per employee, average wage, value-added, assets, age or length of current ownership and number of employees. Table 2 shows the statistics for all industries, and separately for Manufacturing businesses.

Table 2 - Statistics Comparing Characteristics of Exporters and Non-Exporters

Variable	Non-Exporters		Exporters	
	N	Mean	N	Mean
14 Industries				
Sales	5 096	2 834 859	651	10 097 416
Sales per employee	5 096	224 313	651	360 983
Average Wage	4 498	32 906	623	47 173
Value-added	5 066	867 626	651	2 442 964
Assets	3 160	2 312 655	422	7 423 663
Age (Length of current ownership)	5 096	14.0	651	15.3
Employees	5 096	13.1	651	28.4
Manufacturing				
Sales	659	3 053 005	213	10 216 145
Sales per employee	659	182 459	213	306 317
Average Wage	582	27 014	206	42 014
Value-added	654	838 893	213	2 501 281
Assets	431	1 963 199	140	6 842 356
Age (Length of current ownership)	659	13.1	213	17.2
Employees	659	15.5	213	34.0

These statistics show that exporters have higher total sales, sales per employee, and value-added; pay higher average wages; and, possess more assets than non-exporters. They have also been in operation under current ownership longer and employ more staff than non-exporters.

Businesses were also classified according to whether they had any degree of foreign ownership, a web presence, increased targeting of export markets and whether they were involved in innovation activity such as goods and services innovation, operational process innovation or organisational/management innovation. Table 3 shows the results.

Table 3 - Statistics of How Exporters and Non-Exporters Differ

	All BLD Industries		Manufacturing	
	Non-Exporters (%)	Exporters (%)	Non-Exporters (%)	Exporters (%)
Any Degree of Foreign Ownership	2.8	18.0	2.7	17.8
Has a Web Presence	33.0	76.8	37.2	81.7
Increased Targeting of Export Markets	2.1	23.2	3.2	29.1
Goods and Service Innovation	17.0	32.1	25.2	36.2
Process Innovation	19.4	33.8	28.2	41.8
Management Innovation	17.7	27.2	17.5	27.7

In both samples it is clear that exporters have a higher propensity to have some degree of foreign ownership, a web presence, target export markets and engage in innovative activity.

Exporters and Non-Exporters Across All Industries

A statistical analysis of the total BLD sample shows that sales per employee (which is a labour productivity proxy), business age, foreign ownership, web presence (which is a proxy for ICT use) and increased targeting of export markets (which is a proxy for management commitment to export) are all positively and significantly associated with exporting.

When businesses were looked at according to size (1-4, 5-19, 20-99 and 100-200 employees) it was found that businesses with 1-4 employees were less likely to export than larger businesses, but as business size increased there was not a proportional increase in the probability of exporting.

Exporters and Non-Exporters for the Manufacturing Division

When the sample size is reduced from 5,747 businesses across 14 industry divisions to 872 businesses in the Manufacturing Division, the results are very similar. The labour productivity proxy, foreign ownership, and the use of ICT and management commitment to export proxies are all positively and significantly associated with exporting. However, the use of different innovations are not significant.

There were some differences when comparing manufacturing businesses to all industries, especially when looking at business age and business size. Among manufacturing businesses, longevity or age is neutral in its effect on exporting, while the data suggests the effect of size on export status diminishes once a manufacturing business employs more than 100 staff.

Conclusions

Australian small and medium-sized businesses in the BLD that were exporters in 2006-07 have higher total sales and sales per employee; generate more value-added; pay higher average wages; and, possess more assets than non-exporters. In addition, they have been in operation under current ownership longer and employ more staff than non-exporters.

The results suggest that productivity, foreign ownership, commitment to export, use of information and communication technology, and business size are positively and significantly associated with export status. However, business size (as measured by number of employees) appears to have a non-linear relationship with export status. In particular amongst manufacturing businesses the marginal effect of size seems to diminish after a business employs more than 100 staff.

Further Information

This article is based on a paper presented by David Hansell and Tala Talgaswatta at the 2009 Australian Conference of Economists held at Adelaide University. For further information on the analysis in this article and the variables used please contact David Hansell on Canberra (02) 6252 7456 or email <david.hansell@abs.gov.au>.

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